



# Department of Justice

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## **JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN THOMSON'S ACQUISITION OF CERTAIN ASSETS OF HARCOURT GENERAL**

### **Parties Required to Divest College Textbook and Computer-Based Testing Assets**

WASHINGTON, D.C. -- Two of the world's largest publishing companies -- Thomson Corporation and Harcourt General Inc.-- will be required to divest property rights to textbooks in numerous college subjects and a computer-based testing business in order to resolve competitive concerns involving Thomson's acquisition of certain Harcourt assets, the Department of Justice announced today. Reed Elsevier Inc., a large international publisher, will purchase all of Harcourt for approximately \$4.6 billion and will then sell Harcourt's Higher Education and Corporate and Professional Services Groups to Thomson for approximately \$2.06 billion.

The Department's Antitrust Division said the deal, as originally proposed, would have been anticompetitive, resulting in higher prices and lower quality for textbooks and computer-based testing services.

Thomson and Harcourt are major publishers of textbooks for a number of college courses, and also own two of the largest providers of computer-based testing services--Prometric Inc. (Prometric) and Assessment Systems Inc. (ASI), respectively.

The Department's Antitrust Division filed a lawsuit today in U.S. District Court in Washington, D.C. At the same time, the Department filed a proposed consent decree that, if approved by the court, would resolve the lawsuit and the Department's competitive concerns.

"Without these divestitures, college students would likely have paid higher prices for a

variety of important textbooks. In addition, both professional organizations that offer computer-based tests, and candidates seeking to take those tests, would likely have faced higher prices and diminished innovation for such services,” said Charles A. James, Assistant Attorney General in charge of the Department’s Antitrust Division. “These divestitures ensure that consumers will obtain the benefits of vigorous competition in these markets.”

According to the complaint, the proposed merger would have substantially lessened competition for textbooks in the 38 college courses identified in the complaint. The subject of these courses involve primarily chemistry, communication, education, finance, foreign language, mathematics, music, philosophy and psychology. The Department’s complaint alleged that Thomson and Harcourt accounted for a significant share of all textbooks sales in each of these courses.

In addition, the complaint alleged that the proposed merger would have substantially lessened competition in the market for the delivery and administration of high stakes computer-based tests in the United States. High stakes tests have very important consequences for candidates and their test sponsors demand a rigorous level of security. Prometric and ASI operate the two largest national networks of computer-based testing facilities, which are used to administer certain tests for licensure and certification for professional organizations and state and local government agencies.

Under the consent decree, Thomson must divest textbooks used in the 38 courses in which the Department identified competitive problems. In addition, Thomson must invite bids for ASI’s national testing business, which includes its nationwide network of computer-based testing centers, and for all of ASI. If the Department determines, in its sole discretion, that divesting only the national testing business of ASI will not fully restore the competition

eliminated by Thomson's acquisition of ASI, the consent decree provides that Thomson must divest all of ASI, including its contracts to provide state computer-based testing examinations for purposes of licensing and certification.

Thomson, headquartered in Toronto, Ontario, Canada, is one of the world's largest commercial publishers and is a leading competitor in nearly every segment of the educational publishing marketplace. In 2000, its total revenues exceeded \$6.5 billion and its publishing revenues were approximately \$2.1 billion. Its subsidiary Prometric, a Maryland corporation, provides computer-based testing services, including delivery and administration, as well as assessment, throughout the United States. Prometric's annual revenues in 2000 were approximately \$265 million.

Harcourt, headquartered in Chestnut Hill, Massachusetts, is one of the world's largest publishing companies and a leading competitor in the educational publishing marketplace. Its revenues in 2000 were approximately \$2.4 billion and its publishing revenues were approximately \$1.8 billion. Through its ASI subsidiary, which is located in Bala Cynwyd, Pennsylvania, Harcourt offers computer-based testing services, including development, delivery and administration, and assessment, throughout the United States. ASI had annual revenues in 2000 of approximately \$50 million.

Reed Elsevier Inc. is headquartered in Newton, Massachusetts. Reed Elsevier Inc. is the U.S. subsidiary of Reed Elsevier plc--a large international publisher of a variety of materials, including scientific, technical and medical journals--headquartered in London, England. Reed Elsevier plc's worldwide revenues in 2000 were approximately \$6.1 billion.

As required by the Tunney Act, the proposed consent decree resolving this lawsuit will be published in the Federal Register, along with the Department's competitive impact statement. Any person may submit written comments concerning the proposed decree during a 60-day comment period to James R. Wade, Chief, Civil Task Force, Antitrust Division, U.S. Department

of Justice, 325 7<sup>th</sup> Street, N.W., Suite 300, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the Court may enter the consent decree upon finding that it serves the public interest.

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